

GISS Alert – Regains QP/Qatargas Medical Health Insurance Contract

- In a press release this morning, GISS announced its Al Koot Insurance & Reinsurance subsidiary has won competitive open tenders to provide health care services for QP/Qatargas personnel/families. The contract commences from January 1, 2019 and lasts for a three-year period adding more than 50,000 members to Al Koot's existing medical portfolio. It is our sense that Al Koot used to provide medical insurance to QP up until mid-2015/2016 when this business shifted away to a major regional insurance provider.
- **Financial impact: Net income impact not that significant given high loss ratios in the medical insurance business; GISS will benefit from investment returns on extra cash generated from premiums.** As we pointed out in our previous [report](#), we were expecting GISS to win this contract. This news should act as a positive catalyst for the stock.
- **We rate GISS stock a Market Perform with a QR19 price target.** We continue to expect strong overall EPS growth next year, primarily driven by drilling, albeit from a modest base. GISS' story consists of a sum of moving parts, not entirely predictable and fairly volatile. We do not expect this to change. However, we do expect the drilling segment to pull itself out of losses suffered during 2016-2018 by 2H2019 in light of increasing demand due to the proposed North Field expansion and given our assumption of high utilization of existing rigs, startup of rig utilization contracts for additional rigs (similar to the Seadrill deal announced in July) and modest cost savings. We continue to model in a resumption of dividends with QR1 in DPS (5.4% yield) expected for 2018.

Recommendations

Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price

OUTPERFORM	Greater than +20%
ACCUMULATE	Between +10% to +20%
MARKET PERFORM	Between -10% to +10%
REDUCE	Between -10% to -20%
UNDERPERFORM	Lower than -20%

Risk Ratings

Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals

R-1	Significantly lower than average
R-2	Lower than average
R-3	Medium / In-line with the average
R-4	Above average
R-5	Significantly above average

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